RUSSIA AND THE EAEU

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The Eurasian Economic Union (EAEU) is not your typical integration organization. No other organization (e.g., the European Union, MERCOSUR, ASEAN, etc.), was initiated by a former metropolitan state for the purpose of reintegration of its former colonies. Admittedly, Russia has a unique experience of such reintegration: in 1922, for the first time in history, the Soviet Union re-created a previously disintegrated empire within nearly the same borders (see Abalov, Alexander and Inozemtsev, Vladislav. Endless Empire, Moscow: Alpina, 2020, pp. 184-186). Today, Russian leaders are aware that the restoration of the former state is impossible (twenty years ago, when Vladimir Putin was still running for president, he said: “Whoever does not cry over the collapse of the Soviet Union has no heart, whoever wants it back has no brain.”). They understand that the sovereignty gained by the former Soviet republics is irreversible (although they would like to exert greater influence on policy in the former republics) and acknowledge the leading role of the economy in any modern integration process. All this suggests that we should not view the EAEU as a ‘new edition’ of the Soviet Union, as its critics often claim.

Nevertheless, in assessing the situation Russia is currently in, its role in the creation of the EAEU, and its place in this organization, we should take into account Russia’s special status and distinct motives. The Russian political elite has harbored ambitions to reunify Russia with its neighboring former republics since the mid-1990s, and this idea was never seriously contested by the general public. Politicians used this idea to bolster their approval ratings. For example, Boris Yeltsin signed a treaty to create the Commonwealth of Russia and Belarus shortly before the 1996 elections, and Vladimir Putin outlined his vision of the EAEU in the platform of his 2011 election campaign. At the same time, the Kremlin has never differentiated the political and economic aspects of the EAEU, not because Moscow sought to subdue its neighbors, but because by the early 2010s, the government became convinced that a minimum of $2 billion in direct assistance, $500 million in written-off loans, and tens of billions of dollars in subsidies extended by Russia to its neighbors over the past twenty years should have produced some formal results. Yet I believe Russia had no hopes of gaining any economic benefits from the Union. In 2019, Russia’s economy accounted for 86.5% of nominal GDP in the five member states, and although officials repeatedly talked about “obvious synergy” from the integration, I believe that from the very start they did not count on anything resembling synergy. For example, such synergy in the EU required the union of three countries of relatively equal economic potential: in the same year 2019, the GDP of Germany, France, and Italy amounted to 24.2%, 17%, and 12.5% of total EU GDP, excluding Great Britain. Still, even though expectations were never too high, Russia demonstrated a fairly strong consensus regarding participation in the EAEU. Thus, public support for this initiative neared 70%, although it should be noted that no one researched the reasons for this high level of support: the hope for economic benefits or expectations of geopolitical advantages for Russia.

In 2012-2014, when Russia was negotiating the EAEU with its neighbors, Moscow was guided by one illusionary and three realistic ideas. The illusionary idea was to draw into its orbit Ukraine, which in the past was economically integrated with Russia more than any other country and the loss of which was considered unacceptable by the Russian political elite. The participation of Kiev in the EAEU could have
opened up the opportunity for Moscow to provide additional economic support to Ukraine and thus counteract Ukraine’s shift to the West. This idea was abandoned after the annexation of Crimea and the Russian intervention in Donbass in 2014. Immediately after Ukraine's involvement in the project became unrealistic, Moscow stopped bargaining with other potential EAEU members on many points of the original treaty and signed it on May 29, 2014.

Russia’s practical goals were varied. First, by creating the EAEU, Russia wanted to present its integration model as a sort of ‘affront’ to the efforts of the European Eastern Partnership and China’s One Belt, One Road initiative to gain a foothold in the post-Soviet territories. Secondly, Moscow favored stricter regulation of the movement of goods across the borders of the Union, as it was unhappy with large-scale re-exports from both the West (Belarus) and the East (Kyrgyzstan). Third, the Kremlin was aware of Russia’s growing demographic problems and sought to ensure not only an influx of labor, but also the successful integration of migrant workers into Russian society with their possible subsequent naturalization. I would like to note here that I have never met anyone among the Russian political elite or experts who seriously believed in the economic benefits of integration alone.

There is no doubt that the political, social, and economic aspects of integration have been intertwined for Russia more than for any other EAEU member state. In fact, I believe Russia was the only country where the pros and cons of integration were not weighted at all, so some of its aspects cannot be reduced to a common denominator.

When negotiating the EAEU in February-May 2014, Russia relented on most of its requirements that were previously held fundamental. Under pressure from Kazakhstan, references to such important EAEU objectives as common citizenship, coordinated foreign policies of the member states, common border troops, a common currency, and a unified database of visas and passports were removed from the Treaty. Russia agreed that the Concept of the EAEU Common Oil and Gas Market would be presented by 2016, and a common energy market would be launched by 2019. It even agreed with the requirement to limit the budget deficit for any EAEU member to 3% of GDP (Moscow crossed this boundary in 2016 and did not bother to inform anyone, let alone apologize to its partners). Before signing, Belarus agreed to a phased reduction of government support to agriculture.

As a result, the document was signed in a hurry and remained merely a framework, along with its 33 annexes. At the same time, we should note an important circumstance that I believe boosted the Union at its very start.

In 2010, Russia, Kazakhstan, and Belarus entered into the Customs Union and by 2012 harmonized the tariffs for more than 90% of commodity groups. However, in 2012 and 2015 respectively, Russia and Kazakhstan joined the WTO, and in 2015, Kyrgyzstan and Armenia, long-standing members of the WTO, were admitted to the EAEU. As a result, by January 1, 2017, tariffs for over 50% of goods had
been harmonized, which encouraged the active use of non-customs barriers to trade. In 2017-2018, a steady increase in barriers, restrictions, and exemptions from the standard trading rules characterized relations within the EAEU. Consequently, efforts to create unified standards, veterinary services, and technical regulations stalled for all practical purposes. In 2015-2019, Russia repeatedly applied these mechanisms, including, for example, to reduce the supply of meat, fish, milk, and dairy from Belarus, and vegetables and poultry from Kazakhstan, often using far-fetched and untenable arguments. Russia also tried to limit internal competition, including, for example, by requiring mobile operators in EAEU member states to install Russian software on smartphones.

Summing up the EAEU negotiations that have been ongoing for several years, I would say that the Union was, from the start, largely stillborn for three main reasons.

First, Russia grew interested in creating the EAEU when its initial policy of openness towards the rest of the world (apparent both in the first half of the 2000s and again at the turn of the 2000s and 2010s) stalled. In fact, the new Union was initially formed not as an instrument of consolidation and subsequent expansion (as in almost all other integration associations), but as an instrument of defense of its ‘internal space.’ Russia strived to surround itself with allies, while lacking any strategy of economic and technological development and being itself critically dependent on outside investments, technologies, and hi-tech products. The country, which should have been the driving force behind the new association, in fact could not lead it anywhere, and this quickly became apparent in almost all aspects of possible cooperation.

Second, even during the initial negotiations, the energy issue was a stumbling block at each stage, and later, none of the schedules for solving this problem were met. For example, the EAEU members planned to adopt the Concept for the Common Oil and Gas Market by the end of 2015, but as late as December 2018, the participants of the EAEU Summit in St. Petersburg were still promising “to present the Concept soon.” The energy topic, in general, remains extremely volatile, as demonstrated, in particular, by Russia mounting obstacles to Kazakhstan in its attempts to supply coal to Ukraine and oil to Belarus, as well as the ongoing confrontation between Moscow and Minsk in the energy sector. In 2019, oil, gas, and petroleum products accounted for 63.3% of Russian and 73.1% of Kazakh exports and 25.2% of Belarusian imports. In general, energy commodities accounted for 23.6% of EAEU internal trade volume and were excluded from the unified trade rules entirely. In the context of falling energy prices and heightened competition in the oil and gas market, I would not expect any progress in developing uniform pricing or trade rules, since both Russia and Kazakhstan will strive to maintain maximum freedom in their energy policy, as the prospect of ‘kicking the dependency’ on energy commodities remains illusory.

Third, although Putin and Nazarbayev argued that the EAEU should develop generally along a path similar to the EU, it turned out that the EAEU did not have any effective transnational institutions. The
Eurasian Commission, which has become a place of ‘political exile’ for Russian ex-officials (Victor Khristenko, Andrey Belyaninov, etc.), has only advisory power; and the EAEU Court also lacks any real authority. Within the framework of *acquis communautaire*, the European Court of Justice makes decisions that are binding for national institutions and are automatically incorporated into the national legal systems of the EU member states. Conversely, EAEU Court decisions, if not followed, are discussed by the Supreme Council of the Eurasian Union, which consists of the heads of the member states and their cabinets. In other words, both the Commission and the Court serve merely as tools to bring problems to the attention of the presidents of the member states, and nothing more.

Another important point should be noted separately. The creation of the EAEU did not bring much change to the business community of the member states in terms of the business climate. First, it was initially believed that business would move from countries with higher taxes (like Russia) to countries with more liberal tax regimes (like Kazakhstan). Indeed, this process began in 2013-2014, but soon stopped completely. In 2014-2017, the number of Russian companies registered in Kazakhstan increased by 2.8%, most of them being foreign trade firms. Second, in all the key members of the EAEU, i.e. Russia, Belarus, and Kazakhstan, the government’s share in the economy now ranges from 60% to 75%, and governments are very reluctant to let these companies move part of their business out of the country. A significant number of large private companies are dependent on public procurement. For example, the total value of public procurements in 2017-2018 in the EAEU was comparable to total EAEU exports. Consequently, these large businesses are focused more on the wishes of their governments than on the benefits of integration, while small and medium-sized businesses do not have the capacity to handle the complicated logistics of cross-border operations. The main problem of the EAEU, which makes it radically different from the European Union, in my opinion, is that the investment component is almost entirely lacking in this integration. For example, by the end of 2018, Germany invested 91.5 % of its accumulated investment capital in other EU states (excluding the UK), while Russia placed only 1.9% of its foreign investments in EAEU countries. In other words, the Union de facto remains a purely customs association, but even in this capacity it does not provide significant benefits.

I should note that there are no reliable statistics on the impact of the EAEU on domestic business. The usual claims that almost half of Russian companies are affected by the integration processes cannot be true, since these polls are usually conducted among those businesses that participate in events organized by the EEC or the Russian Ministry of Economy in specific sectors of the economy. If we consider that in all of Russia, just over 70,000 companies are directly involved in foreign trade, then the impact of Eurasian integration on small and medium-sized businesses should not be overestimated, and it should not be surprising that the creation of the EAEU had a negligible effect on the Russian economy in general, and on its individual sectors in particular.

Further, it should be noted that Moscow declared its intent to increase exports of Russian goods to EAEU markets, but this goal was only partially achieved. Compared to 2014, when the Treaty on the
Establishment of the EAEU was signed, Russia’s exports to the four other member states in 2019 increased by 3.6%, or in absolute terms, by $1.3 billion, while its exports to China grew by 51.4%, or $19.3 billion over the same period, and to the United States by 22.2%, or $3.6 billion. We could find some consolation in the fact that the share of natural resources (mainly fossil fuels) in Russian exports has noticeably decreased (in absolute terms, by $6.9 billion), which means that, additionally, Russia was able to sell more than $8 billion in its manufactured goods to the EAEU countries. This, in part, shows that EAEU integration helps Russia overcome its dependence on exports of natural resources, a task set by the Russian government. However, today the market share of the EAEU countries in total sales of Russian manufactured goods is 13.4%, and its growth in the near future seems unlikely. Also, Russian consumer goods (for example, in Kazakhstan) are sold mainly through large retail chains and thus do not reach consumers in small towns or small retail outlets.

Similarly, there is hardly any competition from EAEU countries in the Russian market. On average, the export of Russian goods to each of the EAEU countries exceeds imports from these same countries by 1.5 to 5 times (in Belarus, by 61%; in Armenia, by two times; in Kazakhstan, by 2.5 times; and in Kyrgyzstan, by 5.1 times). Only Belarus, the most important Russian partner among the EAEU member states, which in 2019 accounted for about 58% of total trade with the EAEU, supplies both industrial goods that occupy specific niches in the Russian market (i.e., trucks, electrical tools, industrial boilers, and power industry machinery), and also competitive food products. For example, Belarus dairy exports to Russia reach $2 billion annually, and in the first four months of 2019 accounted for 70% of all Russian imports in this category, equivalent to 8-11% of the market. It is the extensive influx of Belarusian products into the Russian market, as well as long-standing industrial cooperation, that help Minsk maintain the smallest trade deficit with Russia compared to the other EAEU countries, in relative terms. The presence of Kazakh, Kyrgyz, and Armenian products in the Russian consumer market is negligible. At the same time, most of the measures approved by the Eurasian Economic Commission were intended to create a self-sufficient market for the EAEU, which generally corresponds to the idea of import substitution cultivated by the Kremlin.

Today, the closure of the domestic market by Russia is closely linked to the sanctions imposed on Russia, which apparently are becoming permanent. The growing Western sanctions directed primarily against large Russian companies and companies with partial government ownership may in the future cause serious problems for their partner businesses in the EAEU member states. The capitals of the EAEU countries should take this into account when making decisions on strengthening the integration. Russia is becoming too politically toxic, and moving closer to it is no longer associated with much benefit.

In the process of creating the EAEU, the leaders in Moscow often said that the new Union would emphasize the importance of Russia as the financial leader of the Eurasian world. It is in those years that the idea of an international financial center in Moscow was actively discussed. However, as the Russian economic crisis of 2014-2015 unfolded and the sanctions against Russia increased, these plans were
abandoned. Simultaneously, the Kazakh leadership attempted to create its own Financial Center under the auspices of the World EXPO 2016, offering quasi-offshore terms and settlement of disputes based on British law to potential participants in financial transactions. Those in Astana did not hide the fact that they intended to attract Russian capital, given the ease of financial transactions within the EAEU. Yet as of early 2020, only one Russian company had used the services of Astana Financial Center and its stock exchange. Considering that the other EAEU countries do not have even rudimentary financial markets, the EAEU does not pose any risks to Russia and Russian financial institutions. Russian banks are active in all countries of the Union except Kyrgyzstan, controlling about 10 to 15 percent of the market. Thus, Sberbank, VEB, Alfa-Bank, Gazprombank, and Rosbank operate in Belarus (all of these banks came to the Belarus market by buying out 92 to 99 percent of the shares of local banks); VTB and Gazprombank are active in Armenia; and Sberbank, VTB, Alfa-Bank, and Home Credit Bank operate in Kazakhstan. It should be noted that the presence of these banks is not a result of Eurasian integration, as it developed mainly before 2010. At the same time, only Kazkommertsbank and Narodny Bank of Kazakhstan operate in the Russian market via local Moskommertsbank and NBK Bank, while financial institutions from other EAEU countries are not represented in Russia at all. Kazakh banks also operate in all other EAEU member states.

Russian business greeted the creation of the EAEU with some optimism, primarily because over the past few years, Kazakhstan had positioned itself as a country that successfully attracted foreign investment, while offering a much more liberal tax regime than Russia. Specifically, as of 2015, the Kazakh VAT was 12% compared to 18% in Russia; income tax was 10% versus 13%, and dividends were taxed at 5% compared to the same 13% rate in Russia. In 2013 and 2014, a number of businesses, mainly from the border regions of the Urals and Western Siberia, re-registered in Kazakhstan, but Russian authorities stalled their operations in the country and the process stopped. Alternately, the authorities in the Kazakh regions bordering Russia openly resented any attempts by Russian entrepreneurs to engage in cross-border trade (specifically, buying Kazakh gasoline, the cheapest in the post-Soviet territory, for small-scale wholesale). Today, five years after the creation of the EAEU, we can assert that no serious cross-border exchange of private business has occurred. Russian investments in EAEU countries are the prerogative of large companies, such as Gazprom, Lukoil, Beeline, and MTS, which account for more than 50% of cumulative foreign direct investment, with a minimum of 45% going to projects in the fuel and energy sectors. In addition, telecommunications remains an important sector, in which Russian companies have a presence in all EAEU countries, but the revenues received in these markets do not exceed 5 to 7% of the total revenues of Veon or MTS (for comparison, Deutsche Telekom’s operations in EU countries bring approximately 55 to 60% of its sales in the German market).

Russia’s plan to use the EAEU to develop trade and investment with third countries was not very successful either. When creating the EAEU, the Kremlin particularly valued its status as a subject of international law, believing that the EAEU could become an equal partner in contacts with the EU and other integration associations (in support, political scientist Sergei Karaganov, who was close to the
Kremlin, and a number of his colleagues even developed a special concept of ‘integration of integrations,’ or Greater Eurasia). Later, Vladimir Putin expressed the hope that the EAEU would become the center of a “great Eurasian partnership” and attract a number of Asian states. However, no significant success was achieved here either. Unlike the EU, the EAEU proved to be a rather unattractive organization, and Moscow had and still has to pressure potential new partners into cooperation. A classic example is Moldova, which today is a member of the EAEU with observer status, because the country’s parliament has refused to approve Moldova’s membership application filed in 2017 by President Dodon. In the five years since the creation of the EAEU, free trade zone agreements have been signed with three countries – Vietnam, Iran and Singapore, but none of these are true agreements in the proper sense of the word (tariffs have been reduced but not eliminated, and the agreement with Iran was signed for three years only), all this despite the fact that back in 2017, Sergei Lavrov claimed that at least 50 countries were looking forward to this form of cooperation with the EAEU. In other words, today, the EAEU does not have any visible prospects for expansion and is unlikely to attain the objectives that the Russian leaders set for it.

In the process of creating the EAEU, Russian leaders repeatedly pointed out that the Union would help employ the new technologies produced by each member state for the benefit of all members. It was further emphasized that the EAEU members had both a common technological base inherited from the former Soviet Union and also technology centers, such as Russia’s Skolkovo and Kazakhstan’s ISTC, which were modeled after the world’s best institutions of this kind. In 2016, the Council of the Eurasian Economic Commission issued a directive to create eleven Eurasian ‘technology platforms,’ with one more to be added later. However, in the three and a half years since then, no progress has been made along these lines. In fact, it took until the end of 2019 just to approve the contractors. Most experts now agree that neither Skolkovo nor the ISTC produced the expected results. Russia, which is critically dependent on high-tech imports, receives them primarily from the EU, China and, to a lesser extent, the United States. Neither the Federal State Statistics Service nor the Customs Committee have any records of new technologies coming from the EAEU countries, which is not surprising: the share of R&D expenditures in Armenia is 0.22% of GDP; in Kazakhstan, 0.17%; and in Kyrgyzstan, 0.15%. In 2013-2014, EAEU proponents argued that Russian researchers, as well as Russian universities, could significantly benefit from Eurasian cooperation, but these hopes have not come to fruition either. From 2013 through 2018, the number of students from four EAEU countries studying at Russian universities grew by only 14%, from 75,100 to 86,000 people. Despite the overall broad support for Eurasian integration among the Russian public, only 13% of those surveyed express some hope that Russia will benefit from technology exchanges with the EAEU countries. Considering that both Russian science and education are quickly becoming provincial and are self-isolating from the world, it is impossible to count on any significant synergy within the EAEU.

Another idea that featured prominently in the statements of Russian leaders in the process of creating the EAEU was developing transit traffic in Eurasia. They noted that the EAEU boasted the third longest
railway network in the world and the fourth longest highway network (although individual countries rather than integration unions were used for comparison). The Kremlin had high hopes for the new transportation routes from China to Europe through Kazakhstan, Russia, and Belarus, where the absence of customs controls in the EAEU was viewed as a major competitive advantage. However, it quickly became clear that the cost of constructing these routes was extremely high, and Russia could not meet the deadlines to complete them (even the new beltway around Moscow, planned for 2018, is unlikely to go into operation before 2024, and plans for a high-speed railroad to the relatively close city of Kazan were abandoned). After 2014, the uncertainty was compounded by sanctions, which made it much more difficult to ship goods through Russia. For example, overland trade between Ukraine and Kazakhstan was practically paralyzed. Today, only about 1% of all containers heading from China to Europe and back pass through Russia, both from the eastern regions of China along the Trans-Siberian Railway and from Xinjiang through Kazakhstan. Faced with logistical problems in Russia, China began testing the shipment of its transit cargo through checkpoints in Kazakhstan toward the port of Aktau, followed by transit through Azerbaijan and Georgia, and final delivery through Turkey to Europe. Considering that today a significant portion of Chinese goods enters Russia through Baltic ports, including Helsinki and Klaipeda, we can definitely say that the EAEU’s transportation policy did not produce any significant results. The policy’s implementation plan for 2018-2020 is too general and, taking into account the recent events, such as the closure of borders and the interruption of flights caused by the coronavirus pandemic, it is unlikely to be implemented at all.

The biggest impact of the creation of the EAEU on Russia was, of course, the streamlining of migration between the countries of the Union. Russia is the largest recipient country of migrant labor in Eurasia. It is estimated that over 10 million people from the countries of the former Soviet Union reside in Russia, and maintaining this status is important for Moscow for two reasons. On the one hand, individual income in Russia was fairly high due to the inflow of petroleum dollars. Although the average salary fell from $935 to $548 per month in terms of the market exchange rates in 2013-2016, it recovered to $725 per month according to the latest data from November 2019. This made low-skilled labor uncompetitive. As a result, since the mid-2010s, millions of migrants have moved into the Russian market and have been hired both by private business and by regional and municipal authorities, often outside the legal framework and avoiding taxes. The integration allowed for unified accounting bases, harmonized patents, the legal use of foreign identification (such as migrants’ driver's licenses), and the right to free education for migrants’ children in Russia, as well as basic medical care. However, immigration from the EAEU countries to Russia has not grown significantly since 2014 (450,000 to 600,000 Kyrgyz nationals were registered in the country in 2013, while their number ranged from 600,000 to 700,000 in 2019), and the volume of remittances to relatives in migrants’ native countries increased proportionally by 15-20%. Consequently, it is not obvious that the economic situation of the two largest suppliers of migrants, Uzbekistan and Tajikistan, will change significantly if they join the EAEU, especially since these two countries already provide the greatest influx of migrant workers into Russia. On the other hand, today Russia faces demographic problems (its natural population growth has been negative for 25 of the last 28
years), and Moscow is willing to naturalize a significant number of visitors from post-Soviet countries. As a rule, these naturalized citizens are less demanding economically and are politically loyal to the Russian regime, so this process will continue. In view of this, potential EAEU members should assess whether the outflow of their most risk-tolerant and active workforce is consistent with these countries’ goals. The overall migration policy adopted in Russia, as well as the latest statements of President Putin concerning migration, indicate that Moscow is ready to take in a nearly unlimited number of migrants from the countries of the former Soviet Union and will easily grant them Russian citizenship in the future. This means that Eurasian integration will make Kazakhstan and the other Central Asian countries vulnerable to the loss of millions of young, well-educated people with entrepreneurial skills. In other words, just like Russia today loses people due to brain drain to the West, so its EAEU partners will lose quality labor force due to greater integration with Russia.

Finally, while assessing the impact of the EAEU on Russia, we should examine its most significant factor, the so-called ‘tax maneuver,’ which can significantly alter Russia’s economic realities. Before 2014, over 40% of Russia’s federal revenues came from export duties on oil, petroleum products, natural gas, and some other types of commodities, which in the context of increasing integration produced a number of problems, such as the collection of revenues from re-export by Belarus. In turn, this necessitated a significant change in the Russian tax system (the so-called ‘tax maneuver’) to shift budget revenues from customs duties to increasing the tax on mineral extraction. The reform program is scheduled for 2020-2024, but already in the first months of its implementation, the program was vehemently rejected by Minsk. Further, it may significantly reduce the benefits of the EAEU for new members. In the past, Russia promised energy supplies to new members to encourage them to join the EAEU, but in the current changed circumstances this promise is devalued for two reasons. First, by 2024, all taxes related to the extraction of energy resources will be levied in Russia, while the EAEU partners will not reap any benefits. Second, as prices in world markets fall, the benefits of low Russian prices offered in the EAEU will disappear. Indeed, in May of this year, domestic gas prices in Russia already exceeded the wholesale prices for gas exports to Germany. In the long term, the ‘tax maneuver’ can create problems for Russia as well, primarily because export duties were previously denominated in dollars which, with the devaluation of the ruble, created an additional revenue source to balance the federal budget. In the current situation, this will be impossible. Oddly, these new oil and gas prices on world markets may have an opposite effect on Russian business (and through it, on EAEU business), since Russian monopolies will raise their prices for gas, petroleum products, and gasoline in the domestic market to compensate for losses in export earnings. In addition, when introducing the pension reform in Russia in 2018, the retirement age in EAEU countries at that time (63 for men and women in Armenia, 63 and 58.5 for men and women respectively in Kazakhstan, 63 and 58 in Kyrgyzstan, and 61 and 56 in Belarus) was used to justify raising the retirement age in Russia to 65 for men and 60 for women by 2028.
In conclusion, over the five years that have passed since the establishment of the EAEU, Russia has not experienced any significant favorable effects from the new integration. The EAEU is perceived by Russia primarily as a political project, designed to create an attractive environment for immigration from the countries of the former Soviet Union to Russia. The EAEU has not acquired any independent status in the eyes of the Russian public, as the work of its governing bodies is barely covered in the press, and its decisions are presented as a product of negotiations between the heads of state and their governments. Although most official documents and strategies continue to pursue ‘a course for Eurasia’ in foreign and security policy, the Kremlin does not appear to overestimate the opportunities offered by this integration.

In my opinion, Russia today does not view the EAEU countries as its links to the rest of the world, despite the fact that a number of these countries have broad and comprehensive cooperative agreements with the EU, enjoy most favored nation status with the United States, and actively trade with China. Instead, Moscow is more suspicious and jealous than optimistic about the opportunities opening up here. Russia’s current foreign policy holds the EAEU countries hostage to the conflict between Russia and the West and thereby undermines the attractiveness of integration. Despite this, the Kremlin finances additional ‘Eurasian studies,’ continues to use integration slogans in its rhetoric, and generally purports to be happy with the current state of affairs and blames problems not so much on integration as on the lack of it. I should note that in other EAEU countries, support for integration is dwindling as well: in 2017, 76% of Kazakh, 68% of Russian, 56% of Belarus, and 50% of Armenia respondents felt positive about the integration process, compared to 80, 78, 60 and 56 percent, respectively in 2014-2015. Since the end of 2017, consolidated public opinion data has not been published, but recent polls in Belarus show that support for integration projects with Russia is now at about 40%. In general, I believe the EAEU is an ambitious project that has little chance for development in the future.

Based on the above, we should take into account the following factors when assessing the prospects for Uzbekistan to join the EAEU. This is the right time to begin the accession negotiations: as the key member of the EAEU, Russia is very interested in expanding the Union, a fact that Moscow politicians have made known to their counterparts repeatedly. This provides Tashkent with good bargaining chips in the negotiations. Being geographically remote from Russia and having relative energy independence from Moscow (last year, energy resources accounted for only 6.2% of Russian exports to Uzbekistan) insulate Uzbekistan from Russian pressure and the Kremlin’s traditional ‘instruments of influence.’ Moreover, the structure of Uzbek exports to Russia, of which footwear, clothing, and food products account for almost 73%, suggests that integration will have a positive effect on medium-sized and small Uzbek businesses. Also, the Russian-Uzbek trade imbalance, where Uzbekistan's exports to Russia last year equaled only 30% of imports, opens up opportunities for increasing the supply of Uzbek goods to Russian markets. There is no doubt that the tightening of controls over the shadow economy, which has flourished at the Uzbek-Kazakh border in recent years, will also bring positive results (the discrepancy in trade volume estimates over the past ten years averages about $680 million annually). At the same time, given the relatively low personal incomes in Uzbekistan, there is no fear that Russian consumer goods
will flood the Uzbek market, crowding out local producers, especially considering transportation costs. We can also assume that the legal status of Uzbek migrants in Russia will become more certain and life will get easier for them, but I would not count on explosive growth of labor migration and the corresponding inflow of income. (In the coming years, economic growth in Russia will remain within the statistical margin of error, and we should not expect any big changes here.) At the same time, I see no reason to believe that participation in EAEU economic projects will cause significant tensions in relations with other partners, which is confirmed by the examples of Armenia and Kazakhstan. Today, Uzbekistan appears sufficiently attractive on its own, and countries interested in cooperation with Uzbekistan do not attach much importance to its ties with Russia. The only stumbling block may be the future decision regarding Uzbekistan’s application to join the WTO, filed back in 1994. In general, I would not consider Tashkent’s participation in the EAEU a fateful decision that would determine the country’s future for decades to come, but with proper political shrewdness, I do not see anything catastrophic in it either.